

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **VICE CHAIRMAN BOB DEPRATU**, on February 3, 1999
at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 244, 1/30/1999
Executive Action: None

HEARING ON SB 244

Sponsor: SENATOR JON TESTER, SD 45, BIG SANDY

Proponents: Webb Brown, Montana Chamber of Commerce

Opponents: None

Opening Statement by Sponsor:

SEN. JON TESTER, SD 45, Big Sandy, introduced **SB 244** as an act providing for a general investment tax credit of 3% for qualified investments against individual income taxes or corporate license taxes. He said this bill creates positive cash flow from a business standpoint and a government standpoint, and will stimulate the economy. He urged support of **SB 244**.

Proponents' Testimony:

Webb Brown, Montana Chamber of Commerce, said his organization stands in support of **SB 244**. He said the intent to provide further investment is always welcome and needed in Montana. He urged do pass.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. EKEGREN asked if this tax credit was for farm equipment, and **SEN. TESTER** replied that it was for any equipment that is depreciable, except light trucks and cars under 8,000 pounds. He said the tax credit comes off of the depreciable schedule. **SEN. TESTER** also added that this investment credit creates cash flow because people have an incentive to buy. He said there is a carryover on this. It can only take up to 45% of the income tax, but this, combined with other tax incentives which were created to attack the economic problems in this state from many different angles, is critical. He said he does not think one solution will get Montana out of 51st place, but this is one that needs to be considered.

SEN. ELLIS asked if **SEN. TESTER** had sat on the Interim Jobs Committee, and he said he had. **SEN. ELLIS** asked if this should have gone on that, and **SEN. TESTER** agreed that it should have, but that he felt there needed to be more in the way of business equipment taxes, and he decided to offer this proposal, knowing full well that with all the tax measures on the docket, Montana would be running at a deficit. He felt this was important and that this Taxation Committee and the House Taxation Committee should have an opportunity to look at this as another option to improve the economy of the state.

CHAIRMAN DEVLIN then asked why **SEN. TESTER** had not signed the Fiscal Note, and he answered that he didn't feel that the Fiscal Note allowed for any growth, and this bill promotes stimulation. He said the Fiscal Note addresses it from a purely negative standpoint, considering only what it is going to cost. He said

he feels this would create some income and that needs to be allowed for.

SEN. ECK commented that the Fiscal Note indicates that Idaho has an identical bill, and she wondered if there was any information as to how that bill increased income. **Mr. Heiman** said that he received a substantial amount of information from Idaho at the time he drafted the bill, and he said he would find that information and provide it to the committee.

SEN. STANG asked what the recapture provisions are, in other words, how long a person has to hold the property before the investment credit is recaptured. **Brian Smith, Department of Revenue**, said that he thought that, in terms of the tax year, as soon as someone actually purchases a piece of equipment, they can start claiming the credit. **SEN. STANG** said that the recapture is if they have the equipment for a number of years but they do not have it long enough to qualify for investment credit, they then have to pay it back. He was curious how many years a person has to own the property before they have to pay back the investment credit. **Mr. Smith** said that he was not sure, but that it does follow the federal definition of what was in federal law in 1990.

SEN. ECK said that she thought that probably a lot of these investments would be electronic equipment, computers, which do not have a life of seven years, and she wondered what kind of an impact that would have. **Mr. Smith** said that it is possible that useful life could be less than the time allowed to recapture, but that the bill does apply to all types of depreciable equipment.

SEN. DEPRATU asked **SEN. TESTER** what the difference in impact was between this bill and what the proposal was from Jobs and Income of giving a three-year tax holiday for the purpose of new equipment, and he responded that this would run considerably higher. He said he thought the difference would be because that dealt with new equipment and this deals with all equipment, and **SEN. DEPRATU** said that the other proposal was for newly acquired equipment, and in that regard, it would probably be about the same, and **SEN. TESTER** agreed.

SEN. DEVLIN asked if there was a federal investment credit now, and **SEN. TESTER** said there is not.

Closing by Sponsor:

SEN. TESTER asked that the committee take a look at this proposal and analyze it. He said he feels it has merit and has some real possibilities. He said it creates positive cash flow, and that you have to spend money to make money.

NOTE: **CHAIRMAN DEVLIN** resumes the chair.

CHAIRMAN DEVLIN asked **Mr. Smith** if he had any additional information for the committee on the intangible property matter, and **Mr. Smith** said he had nothing today, but that the Department is working on that information.

ADJOURNMENT

Adjournment: 8:15 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas27aad)